

Ubiquitous Solution Company


KDDI CORPORATION



Third Quarter Financial Results of the Fiscal Year ending March 2005

January 27, 2005

Tadashi Onodera
President



The figures included in the following brief, including the business performance target and the target for the number of subscribers are all projected data based on the information currently available to the KDDI Group, and are subject to variable factors such as economic conditions, a competitive environment and the future prospects for newly introduced services.

Accordingly, please be advised that the actual results of business performance or of the number of subscribers may differ substantially from the projections described here.

1.1. Financial Results Highlights (1-3Q/ 9 months ended Dec.2004)

1 Consolidated basis

- ▶ Operating revenues rose by 4.3% yoy and operating income was up by 3.3%, as strong “au” Business absorbed declined revenues in BBC & Solutions and other segments.
- ▶ Posted extraordinary gain of ¥27.7B through transfer of PHS Business (3Q).

2 “au” Business

- ▶ Operating revenue jumped by 15.5% and Operating income up by 12.9% yoy.
- ▶ Commenced Chaku-uta Full™; total downloads topped 1 million (on January 5th).
- ▶ Achieved largest share of net adds for the year (2004:52.2%) and steadily expanded No. of WIN subs reaching 2.03million at end-December.

3 BBC & Solutions Business

- ▶ Despite steady increase in sales of internet-based services, sales and operating income declined yoy owing to fall in voice revenues.
- ▶ Started sales of Metal Plus (on December 1st).
- ▶ Merged fixed-line subsidiaries and reorganized corporate sales forces.

4 TU-KA Business

- ▶ Achieved strong sales of simple handset “TU-KA S”.

Note: Operating revenues, operating income, year-on-year comparisons described here are those during 9 months ended December basis. See attached Data Book for 3Q results.

1.2. Full-Year Outlook for FY 2005.3

Previous	Latest Forecast (Change)
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1 On a consolidated basis, company forecasts at ¥2,914.0B (+¥15.0B) for operating revenues and ¥293.0B (¥16.0B) for operating income by factoring some changes mainly in “au” Business.

✓ “au”: Operating income forecast at ¥277.0B(¥16.0B) due to a decline of ARPU by tighter control of mobile phone use during driving and increased expenses by expanded sales of WIN handsets and reinforced retention.

- ARPU:	¥7,190	¥7,170	(down ¥20 yen)
- WIN cumulative subs:	3.0 million	3.2 million	(up 0.2 million)
- No. of handsets sold:	11.3 million	11.6 million	(up 0.3 million)

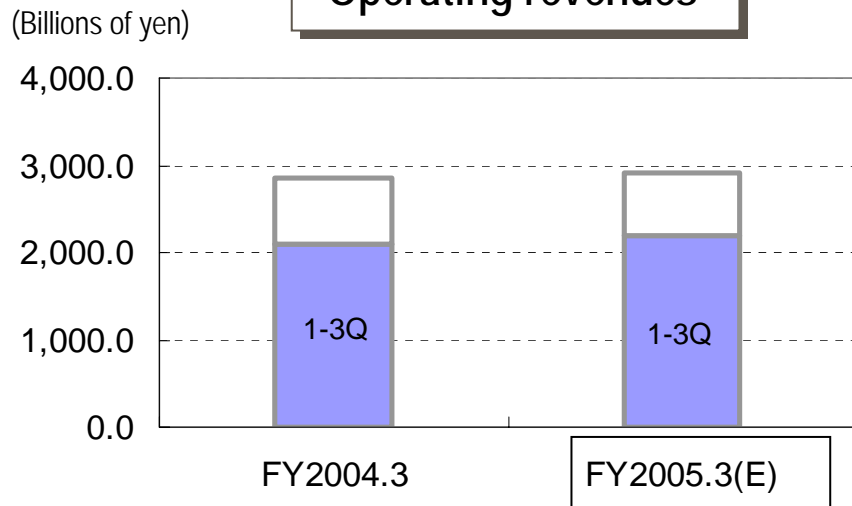
2 CAPEX guidance at ¥340.0B(+¥30.0B) mainly due to roll-out plans accelerated to enhance service coverage of “au”.

Note 1: All figures are on a consolidated basis except those where business segments are referred.

Note 2: Full-year forecasts take into account the effect of divesting PHS Business on both consolidated and segment basis.

2. Consolidated Financial Results

Operating revenues



Operating income

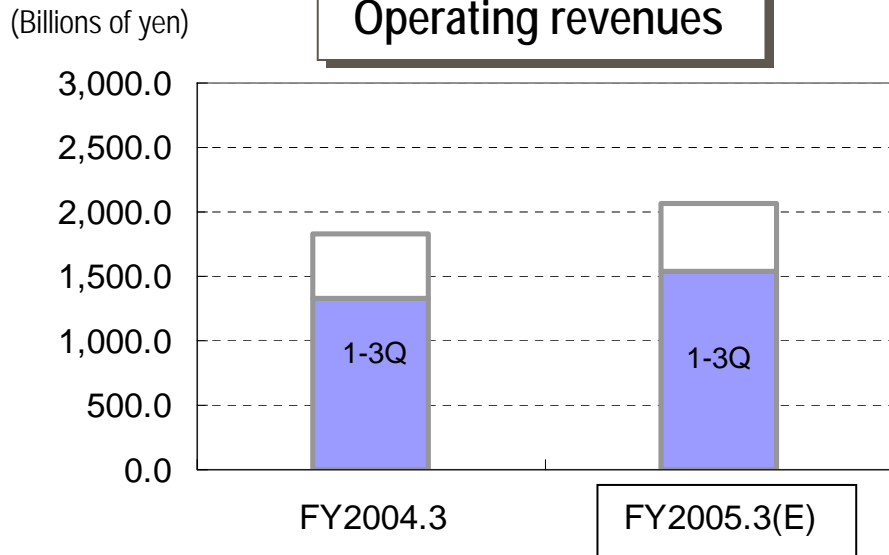


(Billions of yen)

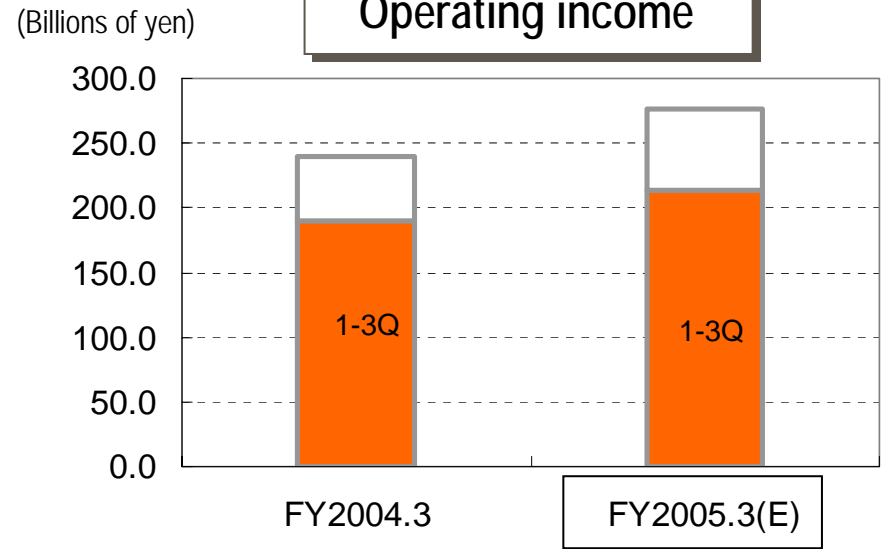
	FY2004.3		FY2005.3(E)			FY2005.3
	1-3Q		1-3Q	yoy	Latest F	Previous F
Operating revenues	2,104.3	2,846.1	2,194.3	4.3%	2,914.0	2,899.0
Operating income	234.7	292.1	242.5	3.3%	293.0	309.0
<i>Operating margin</i>	11.2%	10.3%	11.1%	-	10.1%	10.7%
Ordinary income	221.2	274.5	235.6	6.5%	285.0	300.0
Net income	123.4	117.0	154.1	24.9%	193.0	198.0
Free Cash Flow	384.6	404.2	410.3	6.7%	390.0	406.0
EBITDA	522.2	688.0	516.8	-1.0%	660.0	678.0
<i>EBITDA margin</i>	24.8%	24.2%	23.6%	-	22.6%	23.4%

3. "au" Business

Operating revenues



Operating income



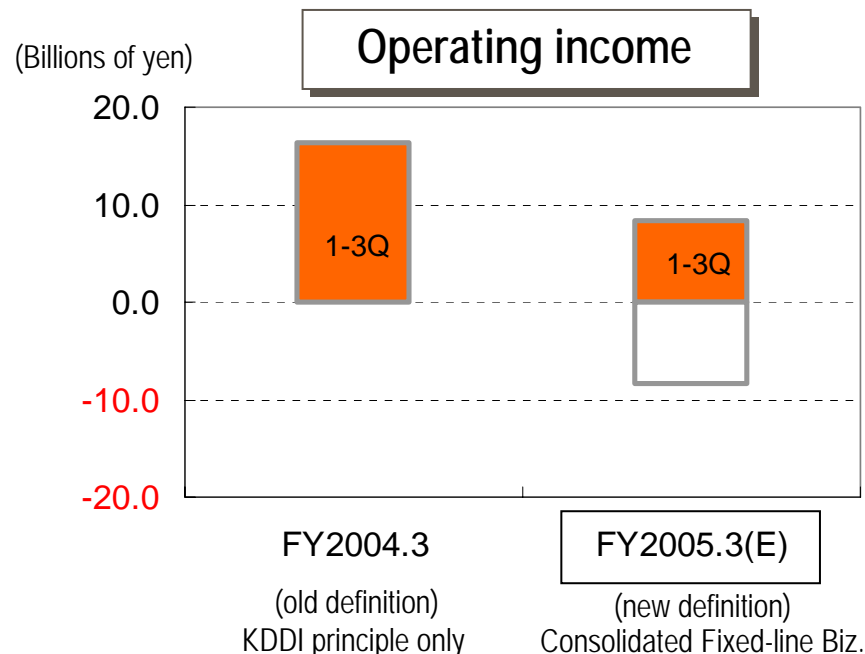
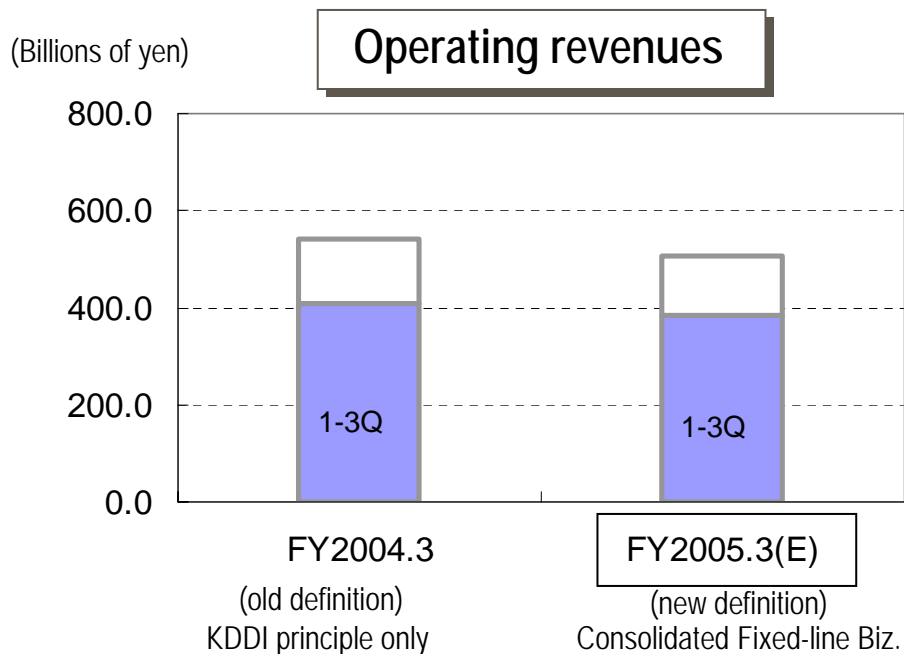
(Billions of yen)

	FY2004.3		FY2005.3(E)		FY2005.3 Previous F
	1-3Q		1-3Q	Latest F	
Operating revenues	1,330.7	1,825.1	1,537.2	2,070.0	2,049.0
Operating income	189.5	239.5	213.9	277.0	293.0
<i>Operating margin</i>	14.2%	13.1%	13.9%	13.4%	14.3%
Ordinary income	181.3	229.1	210.9	274.0	289.0
Net income	105.3	130.0	124.6	163.0	172.0
Free Cash Flow	218.9	207.3	129.2	135.0	158.0
EBITDA	332.4	437.7	368.2	484.0	503.0
<i>EBITDA margin</i>	25.0%	24.0%	24.0%	23.4%	24.5%

	FY2004.3		FY2005.3(E)		FY2005.3 Previous F
	3Q		3Q	Latest F	
Subs ('000)	15,977	16,959	18,759	19,460	19,460
<i>of module-type</i>	326	361	452	470	470
WIN(EV-DO)	47	343	2,032	3,200	3,000
1X	11,717	13,166	14,797	-	-
cdmaOne	4,213	3,450	1,930	-	-
ARPU (yen)	7,490	7,440	7,190	7,170	7,190
Voice	5,830	5,800	5,470	5,430	5,440
Data	1,660	1,640	1,720	1,740	1,750

Note: ARPU is calculated for ordinary handsets which exclude module-type terminals.

4. BBC & Solutions Business



(Billions of yen)

	FY2004.3		FY2005.3(E)		FY2005.3 Previous F
	1-3Q		1-3Q	Latest F	
Operating revenues	409.7	542.5	385.3	508.0	497.0
Operating income	16.3	16.4	8.3	-8.0	-12.0
<i>Operating margin</i>	4.0%	3.0%	2.1%	-1.6%	-2.4%
Ordinary income	15.8	15.8	8.6	-8.0	-12.0
Net income	1.5	-28.8	-3.2	-13.0	-15.0
Free Cash Flow	60.3	74.2	34.8	-10.0	-9.0
EBITDA	85.7	112.4	69.1	79.0	75.0
<i>EBITDA margin</i>	20.9%	20.7%	17.9%	15.6%	15.1%

	FY2004.3		FY2005.3(E)		FY2005.3 Previous F
	3Q		3Q	Latest F	
DION subs('000)	2,559	2,687	2,874	2,880	2,880
of ADSL	914	1,109	1,497	1,510	1,530
FTTH subs('000)	-	23	78	100	100
of Hikari Plus	-	9	(Note1) 61	-	-

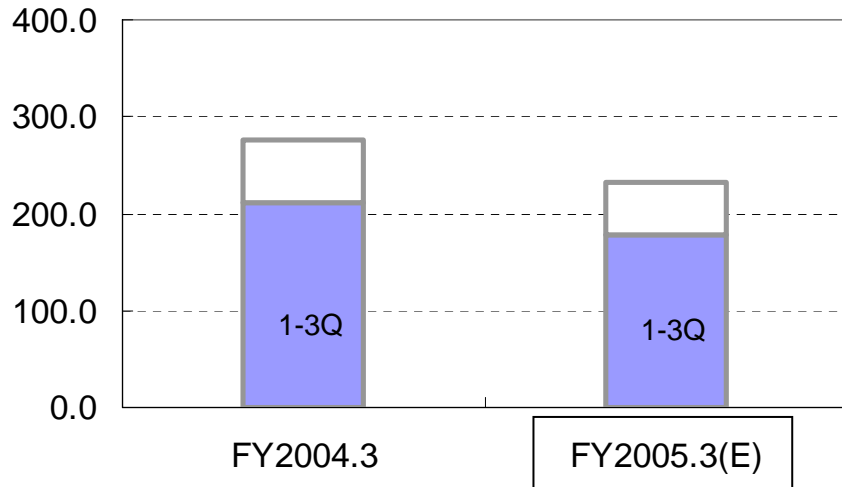
Note1 : No. of line subscriptions was 68,000 at end-December 2004.

Note 2: Figures of FY2004.3 and previous forecasts of FY2005.3 are based on those of KDDI principle only, while results and latest forecasts of FY2005.3 are on a consolidated fixed-line business basis.

5. TU-KA Business

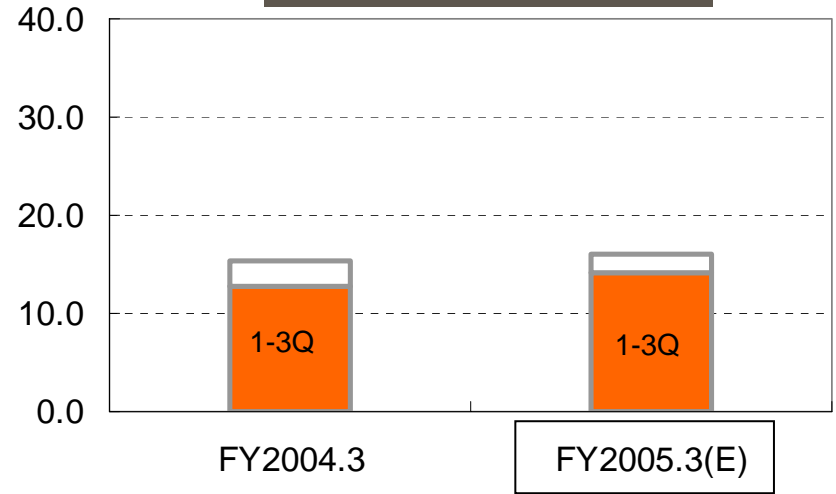
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)

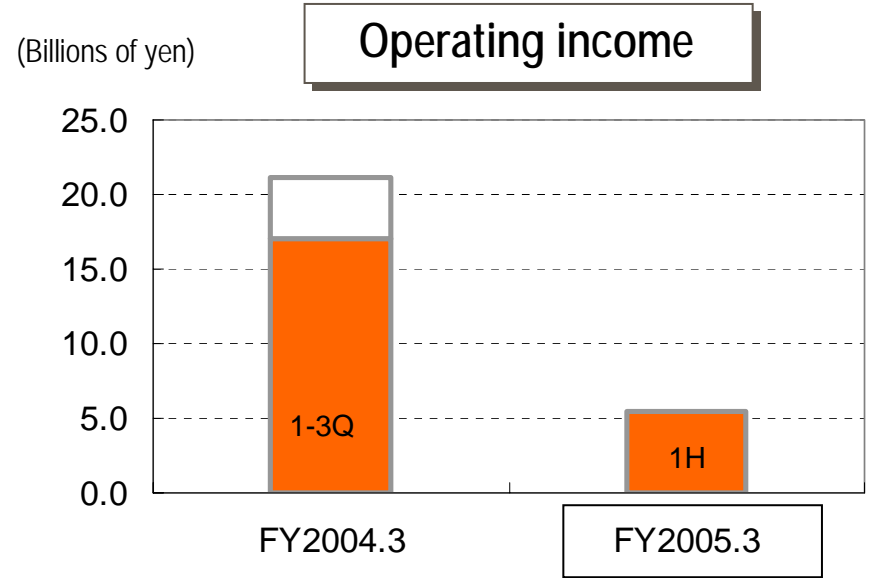
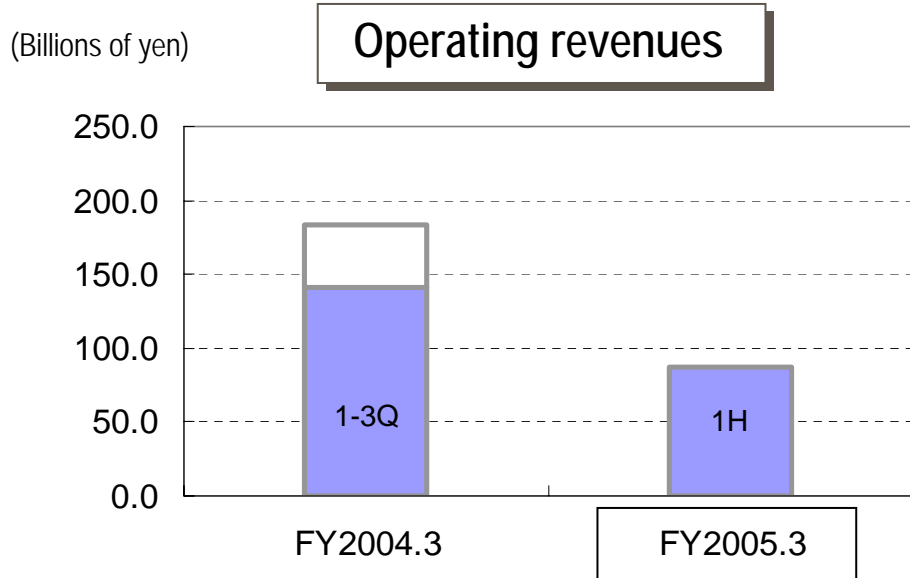


(Billions of yen)

	FY2004.3		FY2005.3(E)		FY2005.3 Previous F
	1-3Q		1-3Q	Latest F	
Operating revenues	210.6	276.5	178.4	233.0	232.0
Operating income	12.7	15.4	14.2	16.0	17.0
<i>Operating margin</i>	6.0%	5.6%	8.0%	6.9%	7.3%
Ordinary income	9.5	11.4	12.4	14.0	15.0
Net income	8.3	9.1	8.2	10.0	10.0
Free Cash Flow	42.2	55.0	38.9	56.0	54.0
EBITDA	54.2	71.2	50.7	65.0	65.0
<i>EBITDA margin</i>	25.7%	25.7%	28.4%	27.9%	28.0%

	FY2004.3		FY2005.3(E)		FY2005.3 Previous F
	3Q		3Q	Latest F	
Subs ('000)	3,670	3,632	3,600	3,580	3,520
ARPU (yen)	5,020	5,020	4,460	4,480	4,470

6. Pocket Business (ref.)



(Billions of yen)

	FY2004.3		FY2005.3	
	1-3Q	Total	1H	Total
Operating revenues	140.6	184.0	86.9	86.9
Operating income	17.0	21.1	5.5	5.5
<i>Operating margin</i>	12.1%	11.5%	6.3%	6.3%
Ordinary income	15.6	19.0	4.9	4.9
Net income	15.8	19.1	4.0	4.0
Free Cash Flow	40.0	47.2	20.9	20.9
EBITDA	47.0	61.3	24.6	24.6
<i>EBITDA margin</i>	33.4%	33.3%	28.3%	28.3%

	FY2004.3		FY2005.3	
	3Q	Total	1H	Total
Subs ('000)	2,914	2,897	2,926	-
<i>of Air H"</i>	936	990	1,101	-
ARPU (yen)	4,730	4,750	4,430	-

7. Capital Expenditures and others

(Billions of yen)

		FY2004.3		FY2005.3 (E)		FY2005.3 Previous F
		1-3Q		1-3Q	Latest F	
CAPEX (Cash basis)	Consolidated	146.2	253.3	200.0	340.0	310.0
	au	89.9	161.2	149.4	230.0	200.0
	BBC & Solutions (Note 1)	32.0	55.1	33.7	86.0	82.0
	TU-KA	8.9	14.7	5.9	9.0	9.0
	Pocket (ref.) (Note 2)	7.5	12.9	5.0	5.0	5.0
Depreciation	Consolidated	274.2	365.7	265.1	351.0	352.0
	au	137.6	184.9	150.3	202.0	202.0
	BBC & Solutions (Note 1)	63.9	84.1	57.6	79.0	80.0
	TU-KA	40.2	53.8	35.1	47.0	47.0
	Pocket (ref.) (Note 2)	29.1	38.7	18.7	18.7	18.7
Debts	Consolidated	1,229.1	1,179.8	901.6	871.0	871.0
	au, BBC & Solutions (Note 1)	766.5	736.0	632.7	651.0	617.0
	TU-KA	276.0	262.4	224.1	181.0	208.0
	Pocket (ref.) (Note 2)	142.4	134.5	-	-	-
Debt / EBITDA multiple		-	1.7	-	1.3	1.3
Debt / Equity ratio		-	1.17	0.79	0.77	0.75

Note 1: Regarding BBC & Solutions Segment, figures of FY2004.3 and previous forecasts of FY2005.3 are based on those of KDDI principle only, while results and latest forecasts of FY2005.3 are on a consolidated fixed-line business basis.

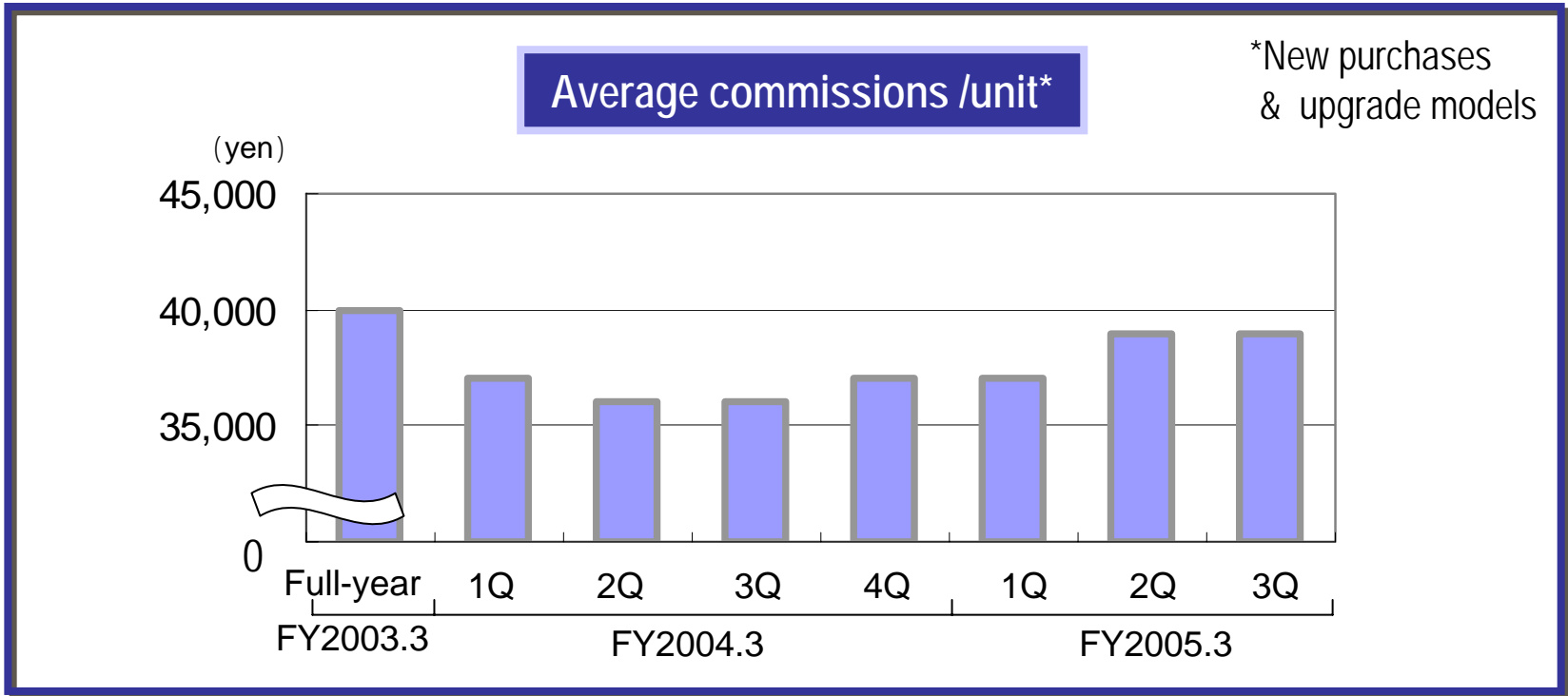
Note 2: Pocket's figures for 1-3Q and forecasts of FY2005.3 are those at the end of 1H as it is deconsolidated in H2 due to a transfer effective in October 2004.

Segment Discussions

"au" Business

**BBC & Solutions
Business**

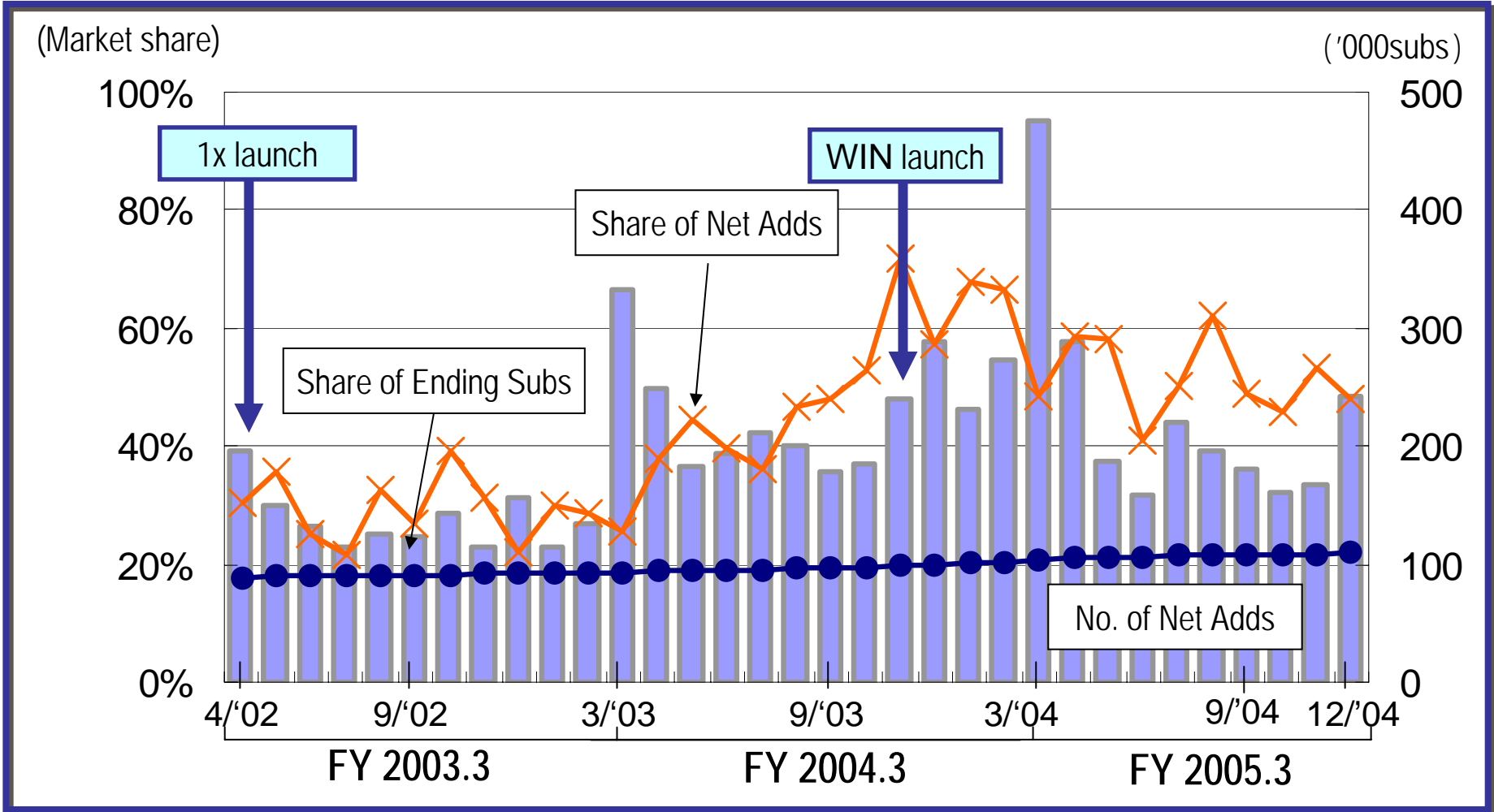
1.1. Sales Commissions



	FY2003.3	FY2004.3					FY2005.3(E)				FY2005.3
		1Q	2Q	3Q	4Q		1Q	2Q	3Q	Latest F	Previous F
Sales commissions (Billions of yen)	405.0	90.0	90.0	92.0	112.0	384.0	94.0	114.0	112.0	445.0	428.0
Average commissions/unit (yen)	40,000	37,000	36,000	36,000	37,000	36,000	37,000	39,000	39,000	38,000	38,000
Number of units sold ('000 units)	10,100	2,410	2,490	2,590	3,070	10,570	2,550	2,930	2,870	11,600	11,300

1.2. Trend of Net Additions

Achieved top share of Net Adds in 2004 (52.2%)^{Note} with Dec-end subs at 18.76M.

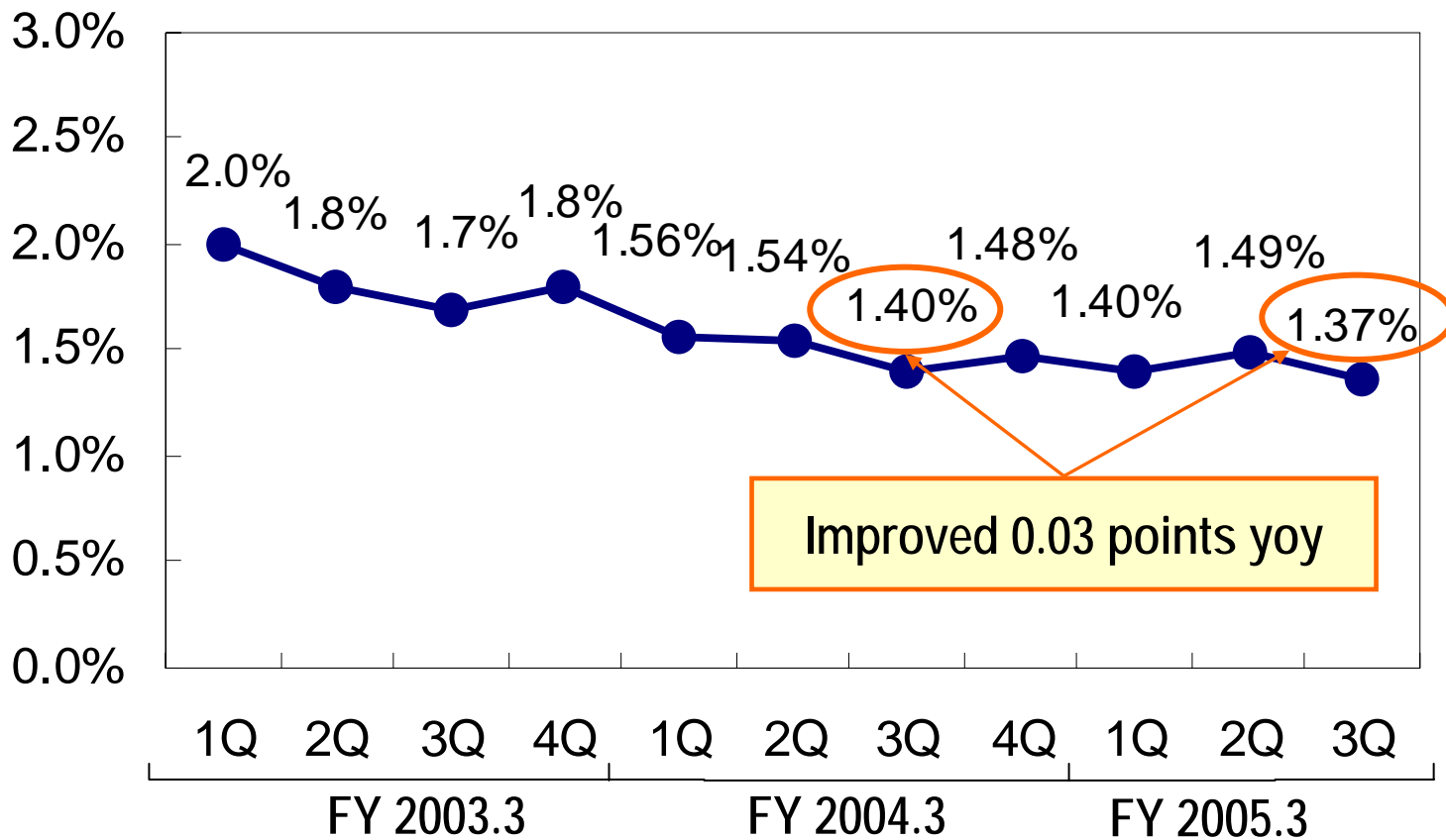


Market share of Net Adds /Ending subs:	3Q	<59.9% / 20.0%>	<48.7% / 21.9%> Note
	Full-year	<49.6% / 20.8%>	< - / - >

Note: Net-adds shares in 3Q/FY2005.3 and CY2004 include DoCoMo's Do Pa subs.

1.3. Churn Rate

(Churn)

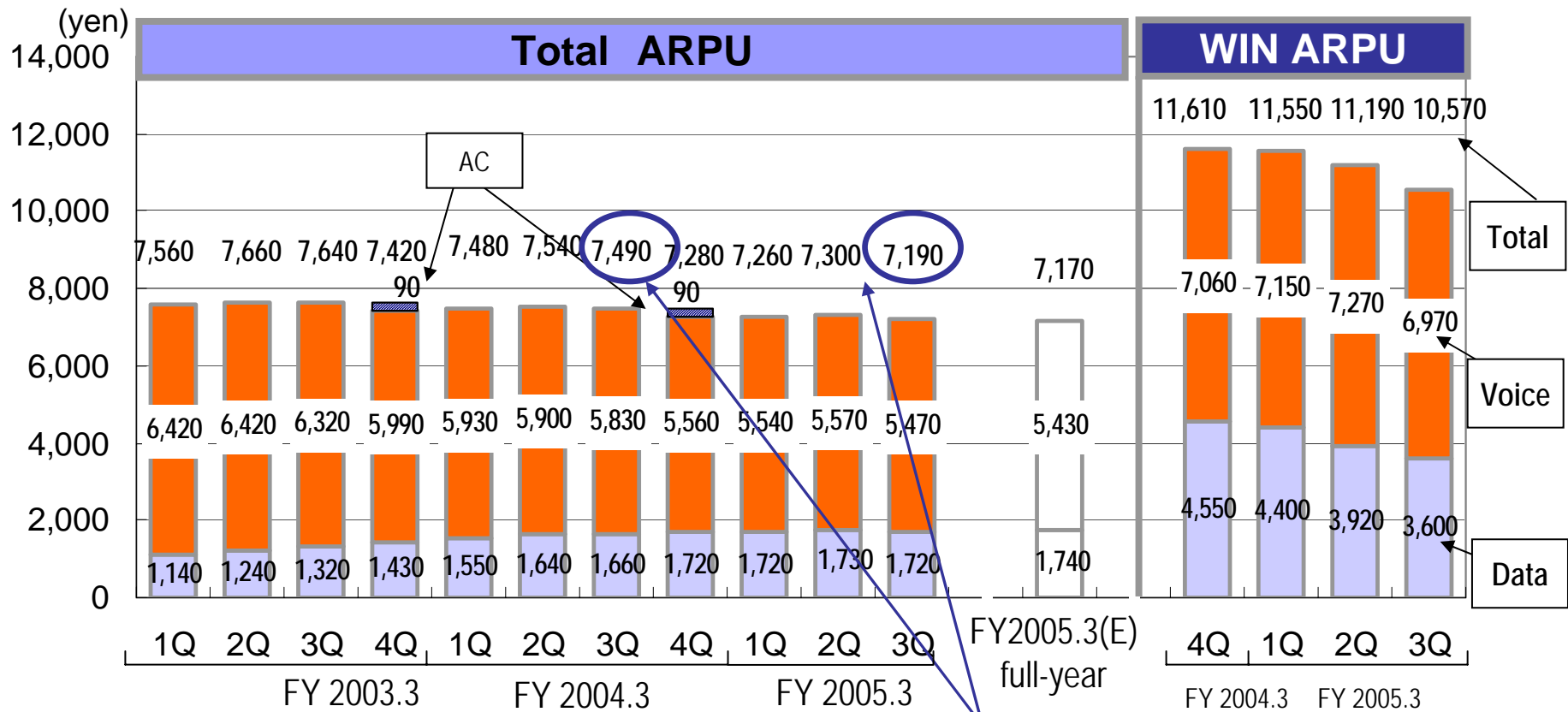


Full-year

<1.8%>

<1.49%>

1.4. Trend of ARPU



yoy change	¥300 (4.0%)
	¥360 (6.2%)
	+ ¥60 (+ 3.6%)

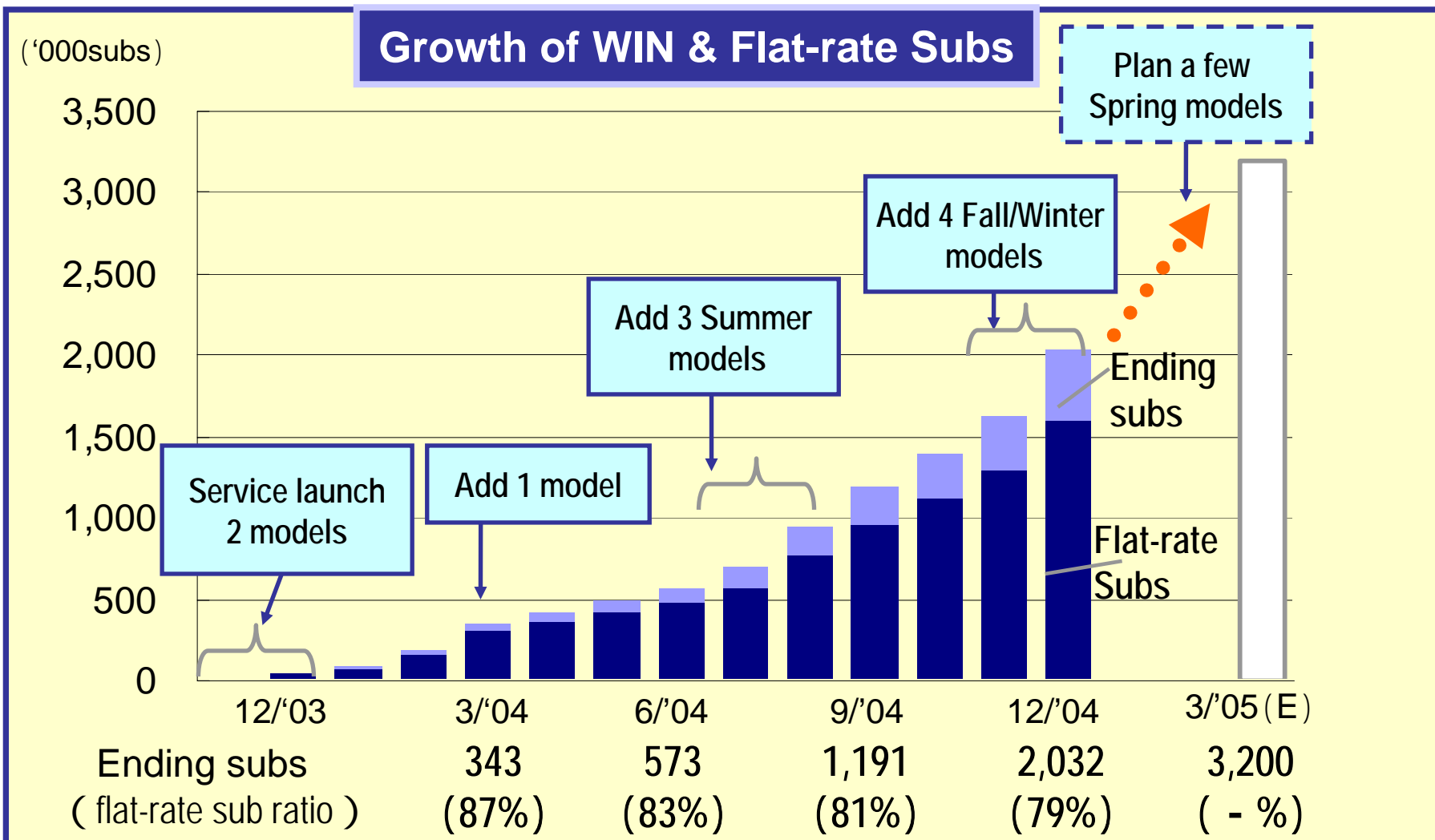
Full-year total ARPU	<¥7,570>	<¥7,440>
of Voice	<¥6,280>	<¥5,800>
of Data	<¥1,290>	<¥1,640>

Note 1: 4Q ARPUs are those after the settlement of AC (Access Charges).
 Note 2: WIN ARPU is calculated on customers in one full month of operations.

2.1. Update on WIN(1)

WIN sub additions have been accelerated since expanded sales in summer, reaching 2 million-mark at end-December.

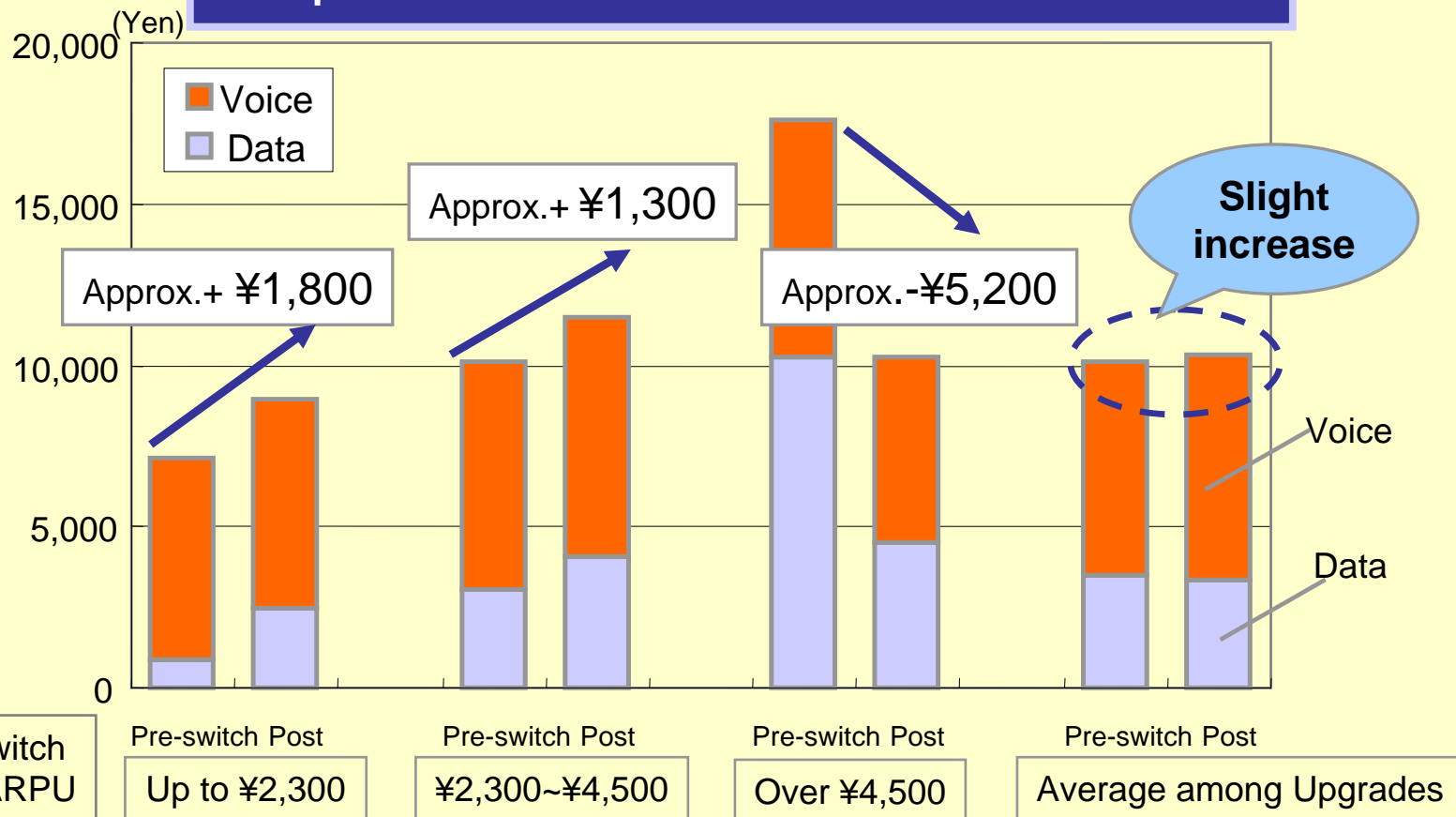
Data Flat-rate subscription rate still remains high at 79%.



2.1. Update on WIN(2)

Looking at pre-switch data ARPU for those who upgraded to WIN, can see an increase in total ARPU for mid-range users (“less than ¥4,500 group”). Declined sales to high-end users during a launching period is likely to cease, showing signs of increased ARPU on average among WIN upgrade users.

Comparison of ARPU for Subs who Switched 1X WIN



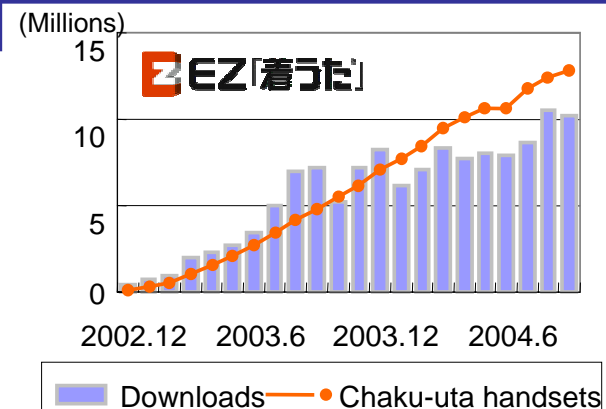
Note: Comparison of pre- and post-switch ARPU (Sept./Nov.) for those who changed to WIN in Oct. 2004.

2.2. EZ Chaku-uta Full™ (1) (Ring-tone songs)

EZ Chaku-uta Full™, offering a rich source of musical expression, achieved 1 millionth download.



Double Teigaku subscription rate for EZ Chaku-uta Full™ handsets at approx. 85% (at end-Dec. 2004).

Ref.



(Chaku-uta Full™)

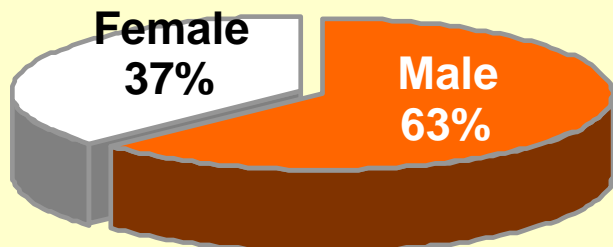
(Chaku-Uta)

Comparison		
Service launch	November 19, 2004	December 2, 2002
Achieved 1 million DLs - No. handsets	Jan. 5, 2005 (48th day of sales) - 410,000 units (at end-Dec.2004)	End of Jan. 2003 - 310,000 units (at end-Jan. 2003)
Compatible handsets	WIN 2004 autumn/winter models	Standard on 1X, WIN handsets
Paid content (ref.)	Approx. ¥300/song	Approx. ¥100/song
Data size	Approx. 1.5M ~ 2.0MB	Approx. 100KB

Note: Including Chaku-uta Full handsets, number of Chaku-Uta handsets totaled 14.3 million units at end-Dec.2004.

Breakdown of Chaku-uta Full Subs

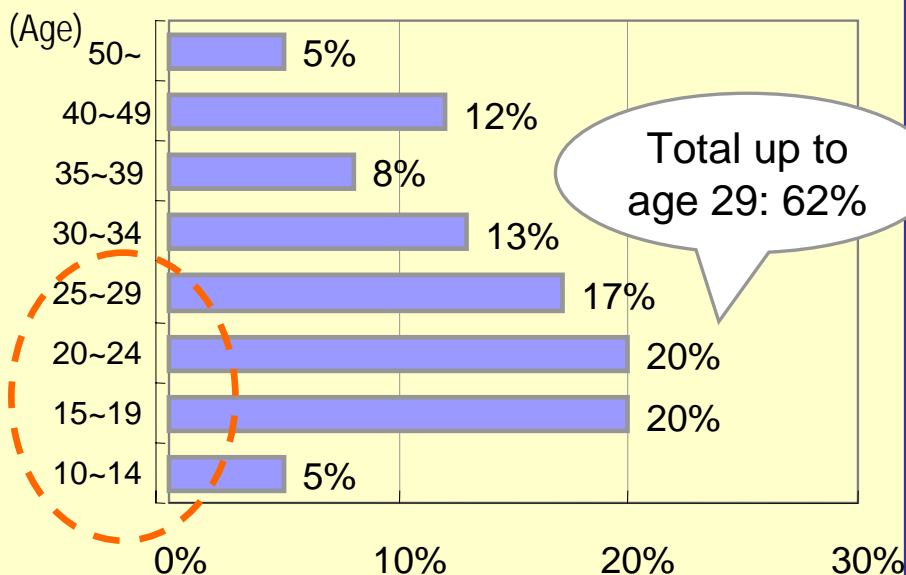
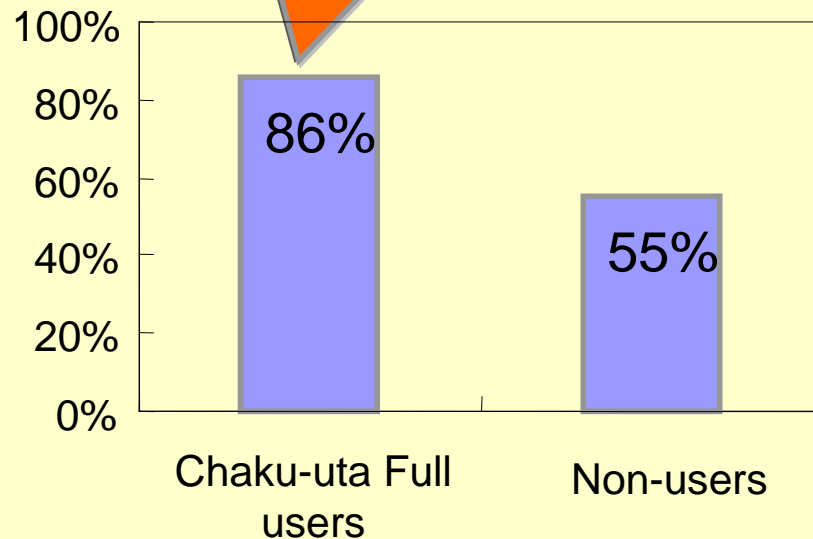
(Note 1)



Subs Using Upper Limit of Double Teigaku

(Note 2)

More Chaku-uta Full Users Hit Upper Limit



Note 1: Usage results for Dec. 2004.

Note 2: Usage results for Dec. 2004 for those subscribing to Chaku-uta Full handsets in Nov. 2004. Upper limit of Double Teigaku, incl. ¥300 basic EZweb fee, is ¥4,500.

1. Fixed-Line Biz Reorganization within Group

Merger of Fixed-Line Subsidiaries

Four former fixed-line subsidiaries

K-Solutions

KCOM

OSI Plus

KDDI Msat

Merger



November 1, 2004

Established
KNSL

KDDI Network & Solutions

Reorganization of Corporate Sales Forces

(Principal)
NW Solutions
Business Sector

Nationwide/
Corporations

Reorganization

(Principal)
NW Solutions
Business Sector

Mainly Tokyo,
Nagoya, Osaka/
Large Biz

Four former
fixed-line
subsidiaries



KNSL

Other
(Regional/
Small-mid. Biz)

▶ Launch schedules:

- Marketing starts : Dec. 1st, 2004
- Service starts : Feb. 1st, 2005

▶ Structural reform:

- Set up “Metal Plus Business Management Div.” to promote services to both corporations and consumers.

▶ Future challenges:

- Rapidly establish service coverage



Sales Force Structure

Corporations	Large	NW Solutions Biz. Sector	Direct	Sales Division (Note)
	Small~mid	KNSL	Direct	Sales Division
Indirect			Dealers	
Consumers		BBC Biz. Sector	Direct	DM & telemarketing
			Indirect	Dealers
				Discounters
				“au” shops, other

Note: Also use certain dealers, telemarketers etc.

Ubiquitous Solution Company

